

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC PRIORITY 5903

INFO AMEMBASSY BONN

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USMISSION EC BRUSSELS

C O N F I D E N T I A L STOCKHOLM 5173

E.O. 11652: GDS

TAGS: ELAB, PINT, SW, FI, GW

SUBJECT: CONTROVERSY CONTINUES OVER SMUGGLING OF FUNDS TO FINLAND

REF: (A) STOCKHOLM 5135

(B) STOCKHOLM 5126

(C) HELSINKI 2203

(D) HELSINKI 2207

1. BEGIN UNCLASSIFIED. THE CONTROVERSY IN SWEDEN OVER THE SMUGGLING OF FUNDS TO FINLAND FOR USE BY THE SOCIAL DEMOCRATIC CANDIDATES IN NEXT MONTH'S METAL WORKERS ELECTIONS HAS CONTINUED, WITH PRIME MINISTER PALME DENYING THAT A "THREE LETTER ORGANIZATION" (READ CIA) WAS THE SOURCE OF THE FUNDS.

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IT HAS ALSO BEEN REPORTED THAT THE FUNDS, WHICH WERE

TRANSFERRED TO THE SWEDISH SOCIAL DEMOCRATIC PARTY FROM GERMAN IG METALL'S PRESIDENT EUGEN LODERER, HAVE BEEN TRACED TO A NUMBERED ACCOUNT IN BERN WHICH HAS PROVOKED PRESS SPECULATION THAT THE CIA WAS THE ORIGINAL SOURCE OF THE FUNDS.

2. PALME DENIED THE CIA CONNECTION AT A PRESS CONFERENCE HELD IN FRANKFURT, TOGETHER WITH SDP CHAIRMAN WILLY BRANDT AND AUSTRIAN PREMIER KREISKY. ACCORDING TO THE SWEDISH PRESS, PALME DESCRIBED THE AFFAIR AS AN "UNUSUALLY STUPID STORY," AND PLACED THE BLAME OF THE SWEDISH SOCIAL DEMOCRATIC PARTY TREASURER NILS GOSTA DAMBERG FOR BAD JUDGMENT. HOWEVER, IN AN INTERVIEW WITH CONSERVATIVE PAPER SVENSKA DAGBLADET, PALME DEFENDED THE CONCEPT OF FINANCIAL AID TO OTHER SOCIALIST PARTIES THROUGH LEGAL CHANNELS, POINTING OUT THAT "A PARTY HELPS A BROTHER PARTY AND THIS CANNOT BE CALLED INTERVENTION." ALTHOUGH DENYING THAT THE CONTROVERSEY WILL HURT THE SWEDISH OR GERMAN SOCIAL DEMOCRATS, THE SWEDISH PRIME MINISTER ACKNOWLEDGED THAT "IT COULD HAVE NEGATIVE CONSEQUENCES FOR THE FINNISH SOCIAL DEMOCRATS." PALME ALSO DENIED THAT THE SWEDISH SOCIAL DEMOCRATS HAD IN THE PAST SENT MONEY ILLEGALLY TO OTHER PARTIES, COMMENTING "WHEN WE SEND MONEY OVER THE BORDERS FOR DIFFERENT SOLIDARITY PURPOSES, WE ARE EXTREMELY CAREFUL TO OBSERVE CURRENCY REGULATIONS." THE ONLY MISSING PIECE TO THE PRESENT CONTROVERSEY, PALME ASSERTED, "IS EXACTLY WHERE DID THE WEST GERMAN METAL WORKERS UNION LEADER, EUGEN LODERER, GET THE MONEY...". (QUERIED IN TOKYO, LODERER REPORTEDLY TOLD THE PRESS THAT HE WON THE MONEY GAMBLING.) END UNCLASSIFIED

3. BEGIN CONFIDENTIAL. COMMENT: ALTHOUGH PALME IS PROBABLY CORRECT THAT IT IS THE FINNISH SOCIAL DEMOCRATS WHO WILL SUFFER THE MOST FROM THE REVELATIONS REGARDING THE SMUGGLED FUNDS, IT IS BY NO MEANS CERTAIN THAT HE AND THE SWEDISH SOCIAL DEMOCRATIC PARTY WILL ESCAPE UNSCATHED FROM THE CONTROVERSY. WHILE MOST POLITICALLY KNOWLEDGEABLE SWEDES ARE AWARE OF THE DIFFICULT POSITION OF THE FINNS VIS A VIS THE SOVIETS, AND SYMPATHETIC TO EFFORTS TO PREVENT A COMMUNIST TAKE-OVER IN THE LABOR UNIONS
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AND ELSEWHERE, THE DECEPTION AND ILLEGALITY INVOLVED IN "LAUNDERING" FUNDS TO FINLAND MAY WELL TARNISH THE PRIME MINISTER'S IMAGE AND THAT OF HIS PARTY, PARTICULARLY IN VIEW OF PALME'S EFFORTS IN RECENT YEARS TO PROJECT A STATESMAN'S IMAGE. STRAUSSZ-HUPE

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